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SUBJECT: DEMARCHE DELIVERED: NEW INSURANCE PRODUCT BY
POSTAL INSURANCE COMPANY

REF: STATE 3451

Summary

¶1. (SBU) The Government of Japan has not received an application from Japan Post Insurance and Nippon Life Insurance for a new cancer insurance product, officials from the Office for the Promotion of Privatization of Postal Services (OPJP), the Financial Services Agency (FSA), and the Ministry of Internal Affairs and Communications (MIC) told Emboffs recently in separate meetings. Each said any such application would be handled transparently and in accordance with established procedures, including explicit reference to Article 2 of the Postal Privatization Law requiring the establishment of equivalent conditions of competition. The FSA also suggested a company's business condition and stock sales would be used in evaluating competitive conditions. End summary.

Demarche Delivered

¶2. (SBU) Emboffs delivered demarche points contained in ref to Office for the Promotion of Privatization of the Postal Services (OPJP) Postal Insurance Deputy Director Yutaka Yamada and Manager Takahiro Yamada January 15. On January 16, Emboffs delivered ref points to Financial Services Agency (FSA) Postal Savings and Insurance Supervisory Principal Director Toshiyuki Yasui, Postal Insurance Supervision Director Mitsuhiro Tsuchiya, and Insurance Business Division Principal Deputy Director for Life Insurance Yoshitaka Wada. In addition, Emboffs delivered ref points to Ministry of Internal Affairs (MIC) Postal Savings and Postal Life Insurance Policy Division Deputy Director Mitsuru Ikeda and Chief Takeshi Kuroda January 20. Ikeda confirmed to Emboffs OPJP, FSA, and MIC had coordinated their responses.

¶3. (SBU) Deputy Director Yamada, Principal Director Yasui, and Deputy Director Ikeda each indicated awareness of press reporting on a potential new cancer product to be introduced jointly by Nippon Life Insurance Company (Nissay) and the Japan Post Insurance Company (Kampo Life). Each noted, however, the companies have not submitted an application for a new or altered insurance product. Given that no application exists, they responded "hypothetically" concerning the general principles on which the GOJ would handle such an application. (Note: asked about his repeated use of the phrase "no formal application has been received,"

Ikeda confirmed Japan Post Insurance has had informal contact with MIC. He insisted, however, that Kampo had told MIC it had yet to decide whether to submit a new product application. End note.)

¶4. (SBU) Yamada, Yasui, and Ikeda stated Japan would treat an application for a new cancer product under the relevant laws and procedures developed for the postal financial companies to request approval to introduce new or altered products, including the applicability of Article 2 of the Postal Privatization Law requiring the establishment of equivalent conditions of competition. As stipulated, approvals from MIC and FSA would be required, as would consideration by the Postal Services Privatization Committee (PSPC). Yasui said the FSA's philosophy in handling the requests is to be "fair, non-discriminatory, and transparent" in its dealings.

¶5. (SBU) Yamada and Yasui noted a third-sector cancer product likely also would require Kampo to apply for a change in government ordinance to allow it to offer a product with a value above its 10 million yen ceiling. That decision, Yamada stated, likely would be subject to FSA, MIC, and PSPC consideration.

¶6. (SBU) Regarding transparency, Yamada noted that because a new product would require PSPC approval, there would have to be a public notice of any application. Noting PSPC members have independent authority to determine how to solicit information on any proposal, he however expects that -- as has been the PSPC's practice -- relevant industry representatives, including the American Chamber of Commerce

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in Japan (ACCJ), would be invited to comment on the application.

Stock Holdings and the Level Playing Field

¶7. (SBU) In discussing equivalent conditions of competition, Yasui described the presentation the FSA made to the PSPC during a December 10 hearing. There, commenting on the easing of the scope of business of the postal financial companies, the FSA referred to points made in 2005 by then Koizumi cabinet member and architect of postal reform Heizo Takenaka. Takenaka, paraphrased Yasui, told the Diet decisions about the approval of new business would be pursued on a step-by-step basis and with reference to the sales of the companies' stock and the degree of government ownership of the companies. The FSA's intent, he continued, is to pursue this thinking "to the fullest extent." (Note: This is the first time, to the Embassy's knowledge, that a GOJ entity has suggested government ownership of the postal financial companies should be considered as a factor in assessing whether equivalent conditions of competition exist between the postal companies and the private sector. End note.)

¶8. (SBU) Yasui stated the FSA would consider the postal financial companies' competitive relations with other financial institutions as well as the companies' business condition (e.g., its financial health, product line, management effectiveness) in any application review. Given the current financial situation, those deliberations were bound to be "sensitive."

¶9. (SBU) Yasui concluded the FSA meeting by speaking "as a person who has long been involved in bilateral insurance matters." He said he "strongly hopes" any application would be handled in a manner that avoids trade friction "over a one-company issue."

ZUMWALT